BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-593-W/S - ORDER NO. 94-1004

SEPTEMBER 26, 1994

IN RE:	Application of DeBordieu Property Owners Buyout Group, L.P. for Approval of an Increase in its Rates and Charges for Water and Sewer Service.	ORDER APPROVING RATES AND CHARGES

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of Application filed by DeBordieu Property Owners Buyout Group, L.P. (DeBordieu or the Company) on March 29, 1994, for an increase in its rates and charges for water and sewer service provided to its customers in Georgetown County, South Carolina. The Application was filed pursuant to S.C. Code Ann., §58-5-240 (1976), as amended and 26 S.C. Regs. 103-821 (1976).

By letter dated April 29, 1994, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected by the proposed increase. The Company submitted affidavits indicating that it had complied with these instructions. No Petitions to Intervene were received by the Commission. Two (2) letters of Protest were received in regard to the proposed rate increase, and one of the letters of Protest was subsequently withdrawn.

DeBordieu is presently operating under rates and charges authorized by the Commission for The DeBordieu Colony Club, Inc. (a predecessor of the present utility) by Order No. 18,572 dated August 20, 1975 in Docket No. 17,497. The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. According to the Commission Staff's report, the proposed rates and charges would increase water revenue by $112,257 or 155.44% and would increase sewer revenue by $80,842 or 166.31% for a combined water and sewer increase in revenue of $193,099 or 159.82%.

On August 31, 1994, a public hearing concerning the matters asserted in the Company's Application was convened in the Commission's Hearing Room. Pursuant to S.C. Code Ann. §58-3-95 (Supp. 1993), a panel of three (3) Commissioners, composed of Commissioner Arthur, presiding, and Commissioners Saunders and Scott, was designated to hear and rule on this matter. DeBordieu was represented by John M. S. Hoefer, Esquire, and the Commission Staff was represented by Florence P. Belser, Staff Counsel.

The Company presented the testimony of Larry Ridlehoover, General Manager and Controller for DeBordieu. The Commission Staff presented the testimony of Robert W. Burgess, Utilities Rate

Analyst, and Joe Maready, Public Utility Accountant.

Based upon the Application, the testimony and exhibits presented at the hearing, and the applicable law, the Commission now makes the following findings of fact and conclusions of law:

II.
FINDINGS OF FACT

1. DeBordieu is a water and sewer utility providing water and sewer service in its service area within South Carolina, and its operations are subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended. DeBordieu provides water service to 469 water customers and sewer service to 402 sewer customers.

2. The appropriate test period for the purposes of this proceeding is the twelve-month period ending June 30, 1993.

3. By its Application, the Company is seeking an increase in its rates and charges for water and sewer service of $184,875 which Staff has calculated to be $193,099.

4. The appropriate operating revenues for the Company for the test year under present rates and after accounting and pro forma adjustments are $120,826.

5. The appropriate operating revenues under the approved rates are $313,925 which reflects a net increase in operating revenues of $193,099.

6. The appropriate operating expenses for the Company's operations for the test year under its present rates, and after accounting and pro forma adjustments, are $300,218 which reflects an increase in per book expenses of $39,572.

7. The appropriate operating expenses under the approved rates are $310,587.

8. The Company is also allowed to include in expenses an adjustment to interest expense which is an allocation of interest expense related to the loans which funded the Company's acquisition of the utility assets.

9. The Company's reasonable and appropriate federal and state income tax expense should be based on the use of a 15% federal tax rate and a 5% state tax rate.

10. The Company's appropriate level of net operating income for return after accounting and pro forma adjustments is negative ($184,469).

11. The appropriate net income for return under the rates and accounting and pro forma adjustments approved herein is $3,432.

12. The Commission will use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates.

13. The Company should have the opportunity to earn a 1.09% operating margin which is produced by the appropriate level of revenues and expenses found reasonable and approved herein. The Commission concludes that this operating margin is fair and reasonable.

14. The rate design and rate schedule approved by the Commission as described herein are appropriate and should be adopted.

15. The rates and charges depicted in Appendix A, attached hereto and incorporated by reference, are approved and effective

for service rendered on and after the date of this Order.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 1

The evidence supporting this finding concerning the Company's business and legal status is contained in the Company's Application and in prior Commission Orders in the docket files of which the Commission takes notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2 AND 3

The evidence for these findings concerning the test period and the amount of revenue increase requested by the Company is contained in the Application of the Company and the testimony and exhibits of the Company's witness, Larry Ridlehoover, and the Staff witnesses Robert W. Burgess and Joe Maready.

On March 29, 1994, the Company filed an Application requesting approval of rate schedules designed to produce an increase in gross revenues of $184,875 which Staff calculated using the appropriate billing units to be $193,099. The Company's filing was based on a test period consisting of the twelve months ending June 30, 1993. The Commission Staff likewise offered its evidence within the context of the same test period.

A fundamental principle of the ratemaking process is the establishment of a test year period. Integral to the use of the test year, representing normal operating conditions to be anticipated in the future, is the necessity to make normalizing adjustments to the historic test year figures. Only those adjustments which have reasonable and definite characteristics, and which tend to influence reflected operating experiences are made to give proper consideration to revenues, expenses, and investments. Parker v. South Carolina Public Service Commission, et al., 280 S.C. 310, 313 S.E.2d 290 (1984). Adjustments may be allowed for items occurring in the historic test year, but which will not recur in the future; or to give effect to items of an extraordinary nature by either normalizing or annualizing such items to reflect more accurately their annual impact; or to give effect to any other item which should have been included or excluded during the historic test year. The Commission finds the twelve month period ending June 30, 1993, to be the reasonable period for which to make its ratemaking determination herein.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 4 AND 5

The evidence for the findings concerning the adjusted level of operating revenues is found in the testimony and exhibits of Company witness Ridlehoover and Staff witness Burgess. The Company agreed with Staff's adjustments to revenues and submitted revised financial statements which reflected Staff's adjustment. (See, Hearing Exhibit 1). Therefore, for the purposes of this proceeding, the appropriate operating revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments are $120,826 which reflects a $16,969 upward adjustment in revenues during the test year. Using the Commission's Finding of Fact No. 13 and the Evidence and Conclusions, infra, approving a 1.09% operating margin, the Company's operating revenues after the approved increase are

$313,925 which reflects a net authorized increase in operating revenues of $193,099.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 6, 7, 8, AND 9.

Certain adjustments affecting expenses were included in the exhibits and testimony offered by Company witness Ridlehoover and Staff witnesses Burgess and Maready. (See, Hearing Exhibits Nos. 1, 2, 3, and 4). This Order will address and detail only those accounting and pro forma adjustments affecting expenses which differed between the Company and the Staff.

Administrative and Management Fees

Staff and the Company proposed to annualize Management Fees based on 4% of revenues, as provided by the Management Agreement. Staff's adjustment of $3,781 was based on Staff's adjustment to revenues and on the proposed revenues. The Company's adjustment did not reflect Staff's adjustment to revenues. The Company has since agreed with Staff's revenue adjustment. Therefore, the Commission adopts Staff's adjustment for Management Fees.

Billing System Expenses

The Company has contracted with a firm in Columbia to program the computer for the new proposed rate structure. Staff proposed to amortize the software equipment over a five year period; the Company proposed to amortize the software over a six year period. The Commission finds the Staff's adjustment is reasonable and adopts the Staff's adjustment.

Increased Costs of Raising Meters

After Hurricane Hugo which did extreme damage to the area, the Company, along with the S.C. Department of Health and Environmental

Control and the property owners, determined it was necessary to uncover dirt and debris from water meter covers. In some instances, the meters had to be uncovered every time the meters were read. The Company incurred $7,799 in additional labor to dig up, repipe, recover and replace water meters during a six month period following the test period, or, $15,598 on an annualized basis. Staff proposed to amortize the expense over a three-year period for $5,199 per year. The Company's proposal of $5,000 per year was based on an estimate at the time of the filing. Therefore, the Commission adopts Staff's adjustment as reasonable.

Rate Case Expenses

As of the date of the hearing, the Company proposed to recover, over three years, $25,000 for the current rate case. Staff verified $23,250 in current rate case expenses. The Commission concludes that only those expenses which could be verified are appropriate for ratemaking purposes, and further concludes that it is appropriate to amortize expenses over three years. Therefore, the Commission adopts the Staff's adjustment of $7,750 as the appropriate adjustment to the Company's per book rate case expense.

Property Taxes

The Company estimated that its property tax would decrease from $20,950 to $19,000 for the following year due to a decrease in valuation because of depreciation expense. The difference of $1,950 proposed by the Company is based on an estimate and not "known and measurable" criteria accepted by this Commission. Staff, however, during its sampling of expenses, found that the

Company incurred late charges on its payment to the county in the amount of $1,887 and proposed a reduction to Property Tax expenses. Since Staff's adjustment qualified as fine, penalty or late charge, which is not deductible for rate making purposes, the Commission accepts Staff's adjustment.

Georgetown County Service

Staff proposed a $6,587 adjustment to increase expenses for the annual contract with the Georgetown Water and Sewer District (District). Initially, the Company proposed no adjustment, but at the hearing, Mr. Ridlehoover testified that the Company accepted Staff's adjustments. Staff determined during its verification of the annual contract between the Company and the District, that the Company had only included eleven (11) monthly payments to the District and further that the monthly rate had increased from $4,259 per month to $4,453 per month. Staff's adjustment annualized the new contract, then subtracted the per book contract price, and then prorated the balance between water and sewer based on revenue. The Commission determines that Staff's adjustment is reasonable and adopts the Staff's adjustment.

Equipment Replacement

The Company proposed an annual $2,500 expense item for small tools and equipment repair and replacement; Staff did not propose an expense item. The Company's expense item is based on an estimate. Staff denied this expense item as it is not known and measurable. The Commission agrees with the Staff position and denies this expense item.

Extraordinary Repairs

The Company estimated that during the test year it incurred $28,333 in extraordinary expenses which should be eliminated from the test year expenses. Staff, in its sample of these expenses, determined that $54,466 was extraordinary in nature and proposed that these repairs be amortized over a three (3) year period. The Commission determines that Staff's proposal is reasonable and is in accord with standard regulatory accounting practice. Therefore, the Commission adopts Staff's adjustment and will allow amortization over a three (3) year period.

Fire Hydrant Expenses

During the test year the Company installed fire hydrants and deducted the costs of the fire hydrants as ordinary expenses. Staff proposed to capitalize these items and to add them to plant in service with an appropriate depreciation expense. The Commission determines that the addition of the fire hydrants is an addition to plant in service which should be capitalized, not expensed. Therefore, the Commission adopts the Staff's adjustment.

Depreciation Expense

Both the Company and the Staff propose to annualize depreciation expense based on end-of-year plant in service. However, Staff disallowed depreciation on contributions made to the utility by the ratepayers in the form of "tap fees". The Commission agrees that depreciation is not allowed for contributions made by ratepayers in the form of "tap fees". Therefore, the Commission adopts the Staff's adjustment.

Interest Expense

At the hearing, the Company requested that it be allowed to include interest expense related to the loans which funded the Company's acquisition of the DeBordieu Colony assets, including the utility assets. The Company proposed an interest expense adjustment of $31,620. The Company determined the interest expense adjustment by multiplying the debt to purchase price ratio by the portion of the purchase price allocated to the utility assets and then subtracting accumulated depreciation to reach undepreciated utility plant. The undepreciated utility plant was then multiplied by the interest rate to reach the adjustment for interest expense. Staff witness Maready testified that had this expense item been included in the Application that Staff would have accepted the item. The Commission agrees with Staff and the Company that an Adjustment to interest expense is appropriate and adopts the interest expense proposed by the Company.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10 AND 11.

Based on the Commission's determination concerning the Accounting and Pro Forma adjustments to the Company's revenues and expenses, and its determination as to the appropriate level of revenues and expenses, net income for return is found by the Commission as illustrated in the following Table:

TABLE A
NET INCOME FOR RETURN

BEFORE RATE INCREASE	
Operating Revenues	$ 120,826
Operating Expenses	300,218
Net Operating Income (Loss)	$ (179,392)
Customer Growth	(5,077)
Net Income for Return (Loss)	$ (184,469)
AFTER RATE INCREASE	
Operating Revenues	$ 313,925
Operating Expenses	310,587
Net Operating Income (Loss)	$ 3,338
Customer Growth	94
Net Income for Return (Loss)	$ 3,432

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 12, 13, 14, AND 15

Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in the Hope Natural Gas decision, supra, the utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and ... that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

Neither S.C. Code Ann.§58-5-290 (1976) nor any other statute prescribes a particular method to be utilized by the Commission to determine the lawfulness of the rates of a public utility. For ratemaking purposes, this Commission examines the relationships between expenses, revenues, and investment in an historic test period because such examination provides a constant and reliable factor upon which calculation can be made to formulate the basis for determining just and reasonable rates. This method was recognized and approved by the Supreme Court for ratemaking purposes involving utilities in Southern Bell Telephone and Telegraph Co. v. Public Service Commission of S.C., 270 S.C. 590, 244 S.E.2d 278 (1978).

For water and sewer utilities, where the utility's rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" as guides in determining just and reasonable rates, instead of examining the utility's return on its rate base. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues. The obverse side of this calculation, the operating margin, is determined by dividing net operating income for return by the total operating revenues of the utility.

In this proceeding the Commission will use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and, if necessary, the fixing of just and reasonable rates. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The following Table indicates the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules; the Company's operating expenses for the test year after accounting and pro forma adjustments; and the operating margin under the presently approved schedules for the test year.

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE	
Operating Revenues	$ 120,826
Operating Expenses	300,218
Net Operating Income (Loss)	$(179,392)
Add: Customer Growth	(5,077)
Total Income for Return (Loss)	$(184,469)
Operating Margin (After Interest)	(152.67%)

The following Table shows the effect of the Company's proposed rate schedule, after accounting and pro forma adjustments approved herein:

TABLE C
NET INCOME FOR RETURN

AFTER RATE INCREASE	
Operating Revenues	$ 313,925
Operating Expenses	310,587
Net Operating Income	$ 3,338
Add: Customer Growth	94
Total Income for Return	$ 3,432

The Commission is mindful of those standards delineated in the Bluefield decision, supra, and of the balance between the respective interest of the Company and of the consumer. The Commission has considered the spectrum of relevant factors in this proceeding: the revenue requirements for the Company, the proposed price for which the Company's service is rendered, the quality of that service, and the effect of the proposal upon the consumer, among others.

The three fundamental criteria of a sound rate structure have been characterized as follows:

> ... (a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.
>
> Bonbright, Principles of Public Utility Rates (1961), p. 292.

The Commission has considered the proposed increase presented by the Company in light of the various standards to be observed and the interests represented before the Commission. The Company presented the testimony of witness Ridlehoover who explained that the Company is currently operating at a loss and has a negative operating margin. Witness Ridlehoover explained that the Company is operating under the same rates which the Commission originally established for a predecessor company in 1975. Mr. Ridlehoover testified that the DeBordieu Property Owners Association (DPOA) filed a written protest over the proposed rates but later withdrew its protest after reviewing the Company's filing and discussing the

Company's goals. Mr. Ridlehoover also testified that while the proposed rates would not allow the Company a reasonable return on its investment, the proposed rates would insure that no significant amount of money would be lost from the utility operations. Mr. Ridlehoover stated that the Company is committed to operating the utility system in an environmentally responsible manner. Further, Mr. Ridlehoover testified that the Company has not been cited by DHEC for any major infraction or incurred any fine since the Company acquired the system, and that the Company has only received six (6) customer complaints since taking over the system in April 1993.

The Commission must balance the interests of the Company -- i.e. the opportunity to make a profit or earn a return on its investment, while providing adequate water service -- with the competing interests of the ratepayers -- i.e. to receive adequate service at a fair and reasonable rate. In weighing these considerations, the Commission notes that the DPOA withdrew its protest of the proposed rates. Further, the Commission recognizes that the Company is operating under rates established in 1975 and that the Company is operating at a loss. Upon careful review of the financial status of the Company, the requested increase in rates and charges, and the testimony of the witnesses, the Commission finds that the Company should have the opportunity to earn a 1.09% operating margin. The following Table reflects an operating margin of 1.09%.

TABLE D

OPERATING MARGIN

Operating Revenues	$ 313,925
Operating Expenses	310,587
Net Operating Income	$ 3,338
Add: Customer Growth	94
Total Income for Return	$ 3,432
Operating Margin (After Increase)	1.09%

While the Commission is aware of the impact on the customers of granting additional annual revenues in the amount of $193,099, the Commission finds that the Company has provided justification for such an increase. Therefore, the Commission concludes, and so finds, that the schedule of rates and charges approved herein achieves a balance between the interests of the Company and those of the customers resulting in a reasonable attainment of the Commission's ratemaking objectives in light of applicable statutory safeguards and depicts just and reasonable rates.

IT IS THEREFORE ORDERED THAT:

1. The schedule of rates and charges proposed by the Company are found to be reasonable and are hereby approved for service on or after the date of this Order. The schedules are deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976), as amended.

2. Should these scheduled not be placed in effect until three (3) months from the effective date of this Order, the schedules shall not be charged without written permission from the Commission.

3. The Company shall maintain its books and records for water

and sewer operations in accordance with the NARUC Uniform System of Accounts for water and sewer utilities as adopted by this Commission.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Rudolph Mitchell
CHAIRMAN

ATTEST:

Mary E Walsh
Deputy Executive Director

(SEAL)

APPENDIX A

DEBORDIEU PROPERTY OWNERS BUYOUT GROUP, LP

FILED PURSUANT TO DOCKET NO. 93-593-W/S - ORDER NO. 94-1004
EFFECTIVE DATE: SEPTEMBER 26, 1994

SCHEDULE OF RATES AND CHARGES

I. WATER

1. **Monthly Charges**

   a. Basic Facility Charge — $6.00 per single-family equivalent unit

   PLUS

   Commodity Charge (Usage over 12,000 gallons see paragraph 6 below) — $1.50 per 1,000 gallons

   b. Equivalency Rating: The basic facility charge is a minimum charge per unit and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly basic facility charge may be obtained by multiplying the equivalency rating by the basic facility charge of $6.00.

   c. Contract Rates: Where the Commission has approved a contract for water service which sets forth therein rates different from those set forth above, the contract rates will apply to the contracting party.

2. **NONRECURRING CHARGES**

   a. Tap fee includes a water service connection charge and capacity fee per single-family equivalent.*** — $600.00

   b. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating (as established in Paragraph 5 below) is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for and/or initial connection to the water system is requested.

(*** Unless prohibited or otherwise provided by contract approved by the South Carolina Public Service Commission.)

3. RECONNECTIONS AND ACCOUNT SET UP CHARGES

a. Water reconnection fee

a.	where disconnect was at customer request	$20.00
b.	where disconnect was for nonpayment of bill	$40.00

b. Customer account charge (One-time fee to be charged to each new account to defray administrative costs of initiating service) — $20.00

Application for connections and reconnections must be made in person at the utility offices during normal business hours.

4. OTHER SERVICES

a. Fire Hydrant - One Hundred Dollars ($100.00) per hydrant per year for water service, payable in advance by any serving fire fighting authorities. Any water used through the fire hydrant must be metered and the commodity charge set forth in Section One (1) above shall apply to such usage.

5. EQUIVALENCY RATING CALCULATION FOR WATER CUSTOMERS

A single-family equivalent unit is based upon a standard meter size of 3/4 inches and flows therefor. Larger meter sizes increase the equivalency rating as follows:

Meter Size	Single-Family Equivalent Units	
	Residence	Commercial
3/4" or smaller	1.0	1.5
1"	2.0	2.5
1 1/2"	4.0	4.5
2"	6.0	6.5
3"	10.0	10.5
4"	14.0	14.5
6"	16.0	16.5

These equivalency ratings are to be used in calculating monthly basic facility charges, nonrecurring charges, and any other charges where equivalency rating is to be used.

6. WATER CONSERVATION SURCHARGE In addition to all other charges provided by these rate schedules, and in order to encourage customers to conserve water, a water conservation surcharge is established of $1.50 per 1000 gallons of water used above 12,000 gallons per monthly billing period per single-family equivalent. Thus, the effective usage rate for water used by a customer (with a single-family equivalency of 1.0) in a monthly period in excess of 12,000 gallons would be $3.00 per each thousand gallons. This surcharge may be altered in accordance with the terms of paragraph 1 (c), above.

II. SEWER RATE SCHEDULE

1. **MONTHLY CHARGES**

   a. Residential - Monthly charge per single-family house, condominium, villa or apartment unit — $25.00

   b. Commercial - Monthly charge per single-family equivalent — $25.00

   c. Equivalency Rating. The monthly charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge of $25.00

   d. Definition of Commercial Customers. Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

   e. Contract Rates. Where the Commission has approved a contract for sewer service which sets forth therein rates different from those set forth above, the contract rates will apply to the contracting party.

2. **NONRECURRING CHARGES**

   a. Tap Fees — $600.00

   b. Contract Rates. Where the Commission has approved a contract for sewer service which sets forth therein tap fees different from those set forth above, the contract tap fee rates will apply to the contracting party.

3. **NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

   a. Notification Fee: A fee of $22.50 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

   b. Customer Account Charge: A fee of $20.00 shall be charged as a one-time fee to defray the Administrative costs of initiating service.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnecting fee of $250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. The amount of the reconnection fee shall be in accordance with R.103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. **EQUIVALENCY RATING FOR SEWER CUSTOMERS**

The list set forth below establishes the minimum equivalency ratings for commercial customers applying for or receiving sewer service from the Utility. Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by the South Carolina Department of Health and Environmental Control in a publication called "Guidelines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1990), as may be amended from time to time or as may be set forth in any successor publication, the Utility shall have the right to request and receive water usage records from the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility may recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated equivalency rating.

TYPE OF ESTABLISHMENT	EQUIVALENCY RATING
1. Airport	
(Per Employee)............................	.025
(Per Passenger)............................	.0125
2. Apartments....................................	1.0
3. Assembly Halls	
(Per Seat)..................................	.0125
4. Barber Shop	
(Per Employee)............................	.025
(Per Chair).................................	.25
5. Bars, Taverns	
(Per Employee)............................	.025
(Per Seat, Excluding Restaurant)...........	.1

TYPE OF ESTABLISHMENT	EQUIVALENCY RATING
6. Beauty Shop	
(Per Employee)	.025
(Per Chair)	.25
7. Boarding House	
(Per Resident)	.125
8. Bowling Alley	
(Per Employee)	.025
(Per Lane, No Restaurant, Bar, Lounge)	.3125
9. Camps	
Resort, Luxury (Per Person)	.25
Summer (Per Person)	.125
Day (With Central Bathhouse) (Per Person)	.0875
Travel Trailer Per Site	.4375
10. Car Wash	
(Per Car Washed)	.1875
11. Churches	
(Per Seat)	.0075
12. Clinics, Doctors Office	
(Per Employee)	.0375
(Per Patient)	.0125
13. Country Club, Fitness Center, Spa	
(Per Member)	.125
14. Dentist Offices	
(Per Employee)	.0375
(Per Chair)	1.125
15. Factories, Industries	
(Per Employee)	.0625
(Per Employee, With Showers)	.0875
(Per Employee, With Kitchen Facilities)	.1
(Per Employee, With Showers, Kitchen Facilities)	.1125
16. Fairgrounds	
(Per Person Based on Average Attendance)	.0125
17. Grocery Stores	
Per 100 sq. ft. space, No Restaurant)	.5
18. Hospitals	
(Per Bed)	.5
(Per Resident Staff)	.25

TYPE OF ESTABLISHMENT	EQUIVALENCY RATING
19. Hotels	
(Per Bedroom - No Restaurant)................	.25
20. Institutions	
(Per Resident)............................	.25
21. Laundries (Self Service)	
(Per Machine).............................	1.0
22. Marinas	
(Per Slip)................................	.075
23. Mobile Homes..................................	1.0
24. Motels	
(Per Unit - No Restaurant).................	.25
25. Nursing Homes	
(Per Bed).................................	.25
(Per Bed, With Laundry)....................	.375
26. Offices, Small Stores, Business, Administration Bldg.	
(Per Person - No Restaurant)................	.0625
27. Picnic Parks	
Average Attendance (Per Person)..............	.025
28. Prison/Jail	
(Per Employee)............................	.0375
(Per Inmate)..............................	.3125
29. Residences (Single Family)....................	1.0
30. Rest Areas, Welcome Centers	
(Per Person)..............................	.0125
(Per Person, With Showers)..................	.025
31. Rest Homes	
(Per Bed).................................	.25
(Per Bed, With Laundry)....................	.375
32. Restaurants	
Fast Food Type (Not 24 Hrs.) (Per Seat)......	.10
24 Hour Restaurant (Per Seat)................	.175
Drive-In (Per Car Served)....................	.10
Vending Machine, Walk-up Deli (Per Person)...	.10

TYPE OF ESTABLISHMENT	EQUIVALENCY RATING
33. Schools, Day Care	
(Per Person)	.025
(Per Person With Cafeteria)	.0375
(Per Person With Cafeteria, Gym, Showers)	.05
34. Service Stations	
Each Car Served (Per Day)	.025
(Per Employee)	.025
(Per Car Served)	.025
Car Wash (Per Car Washed)	.1875
35. Shopping Centers, Large Department Stores, Malls (Per 1,000 sq. ft. Space - No Restaurant)	.5
36. Stadiums (Per Seat - No Restaurant)	.0125
37. Swimming Pools (Per Person - With Sanitary Facilities and Showers)	.025
38. Theatres	
Drive in (Per Stall)	.0125
Indoor (Per Seat)	.0125

III. GENERAL PROVISIONS

1. **BILLING CYCLE**

Recurring charges will be billed monthly in arrears. Nonrecurring charges may be billed and collected in advance of service being provided.

2. **LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1 1/2%) percent each month (or any part of a month) said balance remains unpaid.

3. **TAX MULTIPLIER**

Except as otherwise provided by contract approved by the South Carolina Public Service Commission, amounts paid or transferred to the Utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the Utility by customers, builders, developers or others and properly classified as a contribution or advance in aid of construction in accordance with the uniform system of accounts. Included in this classification are tap fees.

4. **TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

5. **LANDLORD/TENANT RELATIONSHIPS**

In the case of a landlord/tenant relationship where the tenant is the customer, the Utility may require the landlord to execute an agreement wherein such landlord agrees to be responsible for all charges billed to that premises in accordance with the approved tariffs and the Rules of the Commission, and said account shall be considered the landlord's and tenant's account. In the event the landlord refuses to execute such an agreement, the Utility may not discontinue service to the premises unless and until the tenant becomes delinquent on his account or until the premises are vacated. The Utility may discontinue service pursuant to R.103-535.1 if the account is delinquent or may discontinue service at the time the premises are vacated, and the Utility shall not be required to furnish service thereafter to the premises until the landlord has executed the agreement, paid any outstanding service charges, and paid any reconnection charges.

6. **CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, and in a workmanlike manner, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the water or sewer systems.

7. **METER CALIBRATION CHECKS**

Any customer requesting that a meter be checked for accuracy shall be charged a fee of $25.00 for each request after the first such request each calendar year. This fee will assist the Utility in recovering the labor and administrative fees incurred in conducting such checks.